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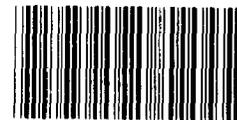
Report To The Secretary Of The Army

The Direct Commissary Support System Should Be Expanded To Include More Army Commissaries In Europe

The Defense Logistics Agency's Direct Commissary Support System has proven to be an effective and efficient means of providing nonperishable, brand-name, resale subsistence items to Army and Air Force commissaries overseas. The system has eliminated the need for maintaining large depot inventories overseas and has resulted in cost savings and other benefits over the previous in-theater depot system.

Notwithstanding the benefits of direct support, 17 Army commissaries in Europe continue to receive support from an in-theater depot.

GAO believes more Army commissaries in Europe should be converted to direct support.



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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

LOGISTICS AND COMMUNICATIONS
DIVISION

B-196945

The Honorable Clifford Alexander, Jr.
The Secretary of the Army

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Dear Mr. Secretary:

This report addresses how additional benefits and cost savings can be realized by placing more Army commissaries in Europe on the Direct Commissary Support System. The report also addresses the Army's perceived war reserve subsistence shortfall in Europe and efforts to correct the problem by increased in-theater depot stockage of nonperishable commissary goods now provided through the Direct Commissary Support System.

The report contains recommendations to you on page 20. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Director, Office of Management and Budget; the Chairmen, Senate Committee on Governmental Affairs, House Committee on Government Operations, and Senate and House Committees on Appropriations and on Armed Services; and the Secretaries of Defense and the Air Force.

Sincerely yours,

A handwritten signature in cursive script that reads "R. W. Gutmann".

R. W. Gutmann
Director



D I G E S T

The Direct Commissary Support System provides nonperishable, brand-name, resale items to Army and Air Force commissaries overseas. It was developed in 1971 to fill routine requisitions from these commissaries directly from vendors and depots in the United States, thereby eliminating the need for maintaining large inventories in overseas depots.

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The system has streamlined the flow of nonperishable, brand-name, resale items to Europe and has resulted in cost savings and other benefits not available under the in-theater depot system. Besides eliminating a number of subsistence storage sites in Europe, the system's benefits have included

- reduced prices from volume procurement,
- reduced order-ship time for moving items from the United States to Europe,
- reduced local transportation costs,
- increased fill rates and timely deliveries,
- increased product selection, and
- fresher products. (See p. 1.)

Despite these benefits, GAO found the Army was not taking full advantage of the direct support system since 17 Army commissaries in Europe were receiving support from an in-theater depot. Based on sales volume, warehouse space, container deliveries, and other conversion criteria, GAO found that 4 of the 17 in-theater depot supported Army commissaries should be immediately converted to the system. In addition, the remaining commissaries could be converted either independently or through a satelliting arrangement. (See p. 4.)

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The system's expansion during 1971 to 1978, when 86 commissaries worldwide were converted to direct support, demonstrated that Army and Air Force commissary officials were committed to the system. However, expansion ceased in 1978 because the Army believed that continued conversion would aggravate a perceived shortfall of in-theater subsistence items by reducing brand-name, resale subsistence levels below those needed to meet the Army's war reserve subsistence requirements. (See p. 2.)

GAO's review showed that immediate conversion of four depot supported stores to the system would not adversely affect the depot level of brand-name, resale subsistence items needed to meet peacetime and war reserve requirements. GAO found that:

--U.S. Army, Europe's, wartime subsistence requirements were overstated because they reflected required troop strength levels rather than those currently in the force structure and those able to arrive in Europe when required. (See p. 13.)

--The identified subsistence shortfall was apparently overstated since all available in-theater subsistence assets had not been identified nor appropriately applied against the requirements. (See p. 14.)

RECOMMENDATIONS

To maximize the system's benefits, GAO recommends that the Secretary of the Army direct the Troop Support Agency to 4655

--convert the Kitzingen, Erlangen, Illesheim, and Schwaebisch Gmuend commissaries to the system and

--assess the potential for converting the remaining Army commissaries to direct support either directly or through a satelliting arrangement. (See p. 20.)

In order to properly assess the war reserve issue, GAO recommends that the Secretary of the Army direct a coordinated approach by the U.S. Army, Europe, and the Defense Logistics Agency and its subordinate activities to:

- Establish the B-ration rotation base stock level at the depot based on the ability to rotate the stock within a reasonable time frame. (See p. 20.)
- Properly consider the availability of in-theater subsistence assets at the troop issue points, commissaries, and exchange system facilities as a source for meeting the war reserve requirements. (See p. 20.)

Once these actions are taken, the Army will be able to more accurately determine whether the U.S. Army, Europe, has a war reserve subsistence shortfall. Once the shortfall is accurately identified, the Army can then deal with the problem in a manner which is cost effective in peacetime while meeting the U.S. Army, Europe's, wartime subsistence needs. (See p. 20.)

AGENCY COMMENTS

Army officials reviewed this report and said that they agreed with the recommendations. Their comments were incorporated into the report where appropriate. The full text of their comments is included as appendix IV.



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ABBREVIATIONS

DICOMSS	Direct Commissary Support System
DLA	Defense Logistics Agency
DPSC	Defense Personnel Support Center
GAO	General Accounting Office
TSA	U.S. Army Troop Support Agency
USAREUR	U.S. Army, Europe

CHAPTER 1

INTRODUCTION

The Direct Commissary Support System (DICOMSS) provides nonperishable, brand-name, resale items to Army and Air Force commissaries overseas. The Defense Logistics Agency (DLA) created DICOMSS in 1971. The system was developed to fill routine requisitions from overseas commissaries directly from stateside vendors and depots, thus eliminating the need for maintaining large depot inventories overseas. In addition to permitting depot closings overseas, other DICOMSS benefits have included reduced prices from volume procurement, reduced order-ship time, high fill rates, timely deliveries, increased product selection, receipt of fresh products, fast introduction/deletion of items, and reduced local transportation costs.

During DICOMSS' first 7 years of operation, 86 commissaries worldwide (32 Air Force and 54 Army) converted to the system. All but 17 of the commissaries are in Europe and over half of the total are in Germany. DICOMSS also supports one depot in Germany, the Defense Subsistence Storage Facility-Germersheim, which in turn supports 17 Army commissaries, 1 Air Force commissary, 2 embassies, and 1 Canadian facility. In fiscal year 1978, DICOMSS provided about \$250 million in nonperishable, brand-name, resale items to Air Force and Army commissaries in Europe.

CONTRASTS BETWEEN DIRECT AND THEATER DEPOT SUPPORT

The basic contrast between DICOMSS and theater-depot-supported commissaries relates to the manner in which nonperishable, brand-name, resale items are delivered to the European commissaries. DICOMSS commissaries receive their goods directly from the United States. Whereas, theater-depot-supported commissaries receive their deliveries from the Germersheim facility--a DICOMSS customer.

How DICOMSS operates

DICOMSS commissaries forecast their requirements and submit requisitions to the Defense Personnel Support Center (DPSC). DPSC validates these requisitions and consolidates all requisitions for like items to facilitate volume procurement. Under DICOMSS, vendors either (1) deliver the material to the supporting stateside depots (Mechanicsburg, Pennsylvania, and Tracy, California) or (2) if the ordered material is of sufficient weight and volume, load the containers at their plants and ship the containers directly to the port of embarkation for direct delivery to the commissary.

Upon receipt of DICOMSS items, stateside depots assemble and stage the items for individual commissaries. When sufficient material has been assembled, the depots pack and ship the containers directly to the commissaries.

How the Germersheim depot supports non-DICOMSS commissaries

Non-DICOMSS commissaries send requisitions to the Defense Subsistence Storage Facility-Germersheim. The facility is managed by DLA's Defense Subsistence Region, Europe, which is responsible for managing in-theater subsistence items. The depot is a labor intensive operation with a \$3 to \$4 million annual budget. It receives, stores, and eventually ships subsistence items to commissaries and troop issue subsistence points.

Germersheim's troop issue subsistence inventories consist of a 30-day operating and 15 to 45 day (depending on the particular item) safety stock level which is used to support the U.S. Army, Europe's (USAREUR's), 33 troop issue subsistence points. Troop issue points maintain a 45-day stock level to provide subsistence to the Army dining facilities. To support non-DICOMSS commissaries (see app. I) and to provide a stock of items to meet DICOMSS commissaries' emergency needs (surge tank), the depot maintains a 30-day operating and a 45-day safety stock of nonperishable, brand-name, resale items. Germersheim's largest brand-name, resale customer is the Army with 17 commissaries.

ISSUES AFFECTING DICOMSS

Both the Air Force and Army commissary officials have been satisfied with DICOMSS and with the advantages it offers over the previous theater-depot-support operations. Of the 32 Air Force commissaries overseas, all but one--Oslo, Norway--has been converted to DICOMSS. The remote location, small sales volume, inadequate storage facilities, and transportation factors have made it impractical to convert this commissary to DICOMSS.

In 1976 the U.S. Army Troop Support Agency (TSA), European field office, assumed operational control over 62 commissaries, 18 commissary annexes, and 1 commissary warehouse and support for 3 Canadian and 2 embassy facilities. Before 1976 USAREUR had operational responsibility for the Army commissaries in Europe.

During the 1970s, as part of an effort to increase combat strength, DICOMSS was expanded and in-theater military logistics support was reduced. In 1976 USAREUR proposed and planned for total conversion to DICOMSS, including troop issue subsistence

points. However, USAREUR dismissed this plan when TSA assumed commissary control and USAREUR became faced with increased in-theater war reserve subsistence requirements necessitated by operational requirements.

Although Army commissaries continued to be placed on DICOMSS, the conversion rate was slower--the last commissary was converted in October 1978. While TSA is fully satisfied with DICOMSS, 17 of its commissaries continue to be supported through Germersheim. According to agency officials, Germersheim serves as a surge tank to meet DICOMSS commissaries' emergency needs and provides the small volume commissaries with nonperishable, brand-name, resale items. USAREUR also relies on the nonperishable, brand-name, resale items which Germersheim maintains to help meet its war reserve requirements for subsistence items.

The expansion of the DICOMSS program through 1978 reduced the nonperishable, brand-name, resale item levels stocked at the Germersheim depot. USAREUR believed these reductions and increased wartime requirements caused a critical shortfall of available assets in meeting its wartime needs. Thus, USAREUR objected to any further DICOMSS expansion. To correct the perceived subsistence shortfall, USAREUR recommended taking selected line items provided through DICOMSS and stocking them at Germersheim to increase the depot's nonperishable, brand-name, resale stock levels.

USAREUR's rationale for continuing to have Army commissaries supported through Germersheim has affected the Army's ability to maximize DICOMSS benefits. TSA can no longer request that additional commissaries be converted to DICOMSS unless USAREUR concurs.

SCOPE OF REVIEW

We made our review in the United States and the Federal Republic of Germany from August to November 1979. During our review, we examined the feasibility of converting more Army commissaries to DICOMSS and USAREUR's perceived war reserve subsistence shortfall and its impact on DICOMSS.

We examined documentation and met with Army and Air Force officials at their respective services' logistics branches, commissary management offices, and at several DICOMSS and Germersheim supported commissaries in Germany. We also obtained information from Defense officials located at the support agencies responsible for DICOMSS and war reserve subsistence. Appendix II contains a detailed list of agencies contacted and locations visited.

CHAPTER 2

MORE ARMY COMMISSARIES SHOULD

BE CONVERTED TO DICOMSS

Since 1978 TSA has not requested that additional commissaries be converted to DICOMSS because of USAREUR's perceived war reserve subsistence shortfall. However, based on past criteria, we believe additional commissaries can be converted to DICOMSS without adversely affecting the war reserve subsistence levels or the rotation base for Germersheim's surge tank inventory of nonperishable, brand-name, resale items. These conversions will result in (1) reducing in-theater depot operations, (2) lowering local transportation costs, (3) providing fresh products and timely deliveries, (4) obtaining high fill rates, and (5) providing a wide variety of products.

CRITERIA FOR CONVERTING COMMISSARIES TO DICOMSS

In the past, theater-depot-supported commissaries were converted to DICOMSS primarily because of their sales volume, their abilities to unload DICOMSS containers, and their warehouse capacities. DPSC and TSA view a depot supported commissary as a prime candidate for conversion if monthly sales are \$100,000 or more. Both TSA and DPSC officials agreed that if war reserve stockage was not an issue all commissaries and troop issue points could be converted to DICOMSS, assuming that adequate warehousing and unloading equipment were available.

TSA officials have stated that an in-theater surge tank inventory of nonperishable, brand-name, resale items is needed to serve as a release valve when DICOMSS fails due to truck or dock strikes, unavailability of ships or containers, inclement weather, or inadequate ordering. The existence of some depot supported commissaries allows this surge tank inventory to be effectively rotated.

ADDITIONAL ARMY COMMISSARIES SHOULD BE CONVERTED TO DICOMSS

Using DPSC and TSA criteria, we assessed the potential of converting additional commissaries to DICOMSS considering commissary sales volume, deliveries of containers, unloading capability, and warehouse capacity. We found that four Army commissaries in Europe met these criteria and could be converted to DICOMSS without increasing personnel, warehousing, or equipment requirements.

Sales volume qualifies additional commissaries for direct support

The 17 depot supported Army commissaries in Europe had average monthly sales volumes ranging from \$242,800 at Kitzingen to \$42,100 at Herzo Base. (See app. III.) Four stores (Kitzingen, Illesheim, Erlangen, and Schwaebisch Gmuend) had monthly sales of \$125,000 or more. Kitzingen's monthly sales volume was greater than 15 Army Dicomss commissaries. Likewise, Illesheim and Erlangen had sales volumes greater than six stores now under Dicomss, and Schwaebisch Gmuend's monthly sales volume surpassed five Army Dicomss stores. Of the remaining depot supported stores, four stores' sales volumes were greater than \$80,000 a month, five stores' sales volumes were greater than \$60,000 a month, and four stores' sales volumes were greater than \$40,000 a month. By applying DPSC's and TSA's sales volume criteria, we believe the top four depot supported stores could be converted to Dicomss.

Unloading capabilities and container deliveries would not prevent expansion

According to TSA officials, docking facilities, additional personnel, and material handling equipment are needed to unload Dicomss containers. However, we found that Dicomss created no greater requirements than current truck deliveries.

During visits to 10 depot supported commissaries, we found personnel unloading trucks with hand pallet jacks directly into the store warehouses. Only four commissaries had usable unloading docks and only four stores had forklifts. Commissary personnel said that trucks from the depot were usually unloaded manually, and this procedure could also be used for containers delivered under the Dicomss program. While many of the docking facilities and much of the equipment were in need of a general upgrade, this condition would not preclude the timely unloading of Dicomss containers.

Truck deliveries from the theater depot occur several times a month, while container deliveries under Dicomss are fewer due to larger loads. Commissary managers believed that the change from truck to container deliveries would not present any unloading problems and that they had sufficient assets and personnel to handle the container deliveries.

Warehouse capacity adequate for expansion

TSA views warehouse space as a serious problem for overseas commissaries. Agency officials contend that container

deliveries will necessitate additional space if Dicomss is expanded.

Commissary managers agreed that warehouse space was a problem, but that it should not be considered an obstruction to Dicomss conversion. For those commissaries with severe warehouse space problems, we found that projects had been approved and funded to expand their warehouses, or the potential existed to increase warehouse space use.

BENEFITS TO BE DERIVED
FROM DICOMSS EXPANSION

The Army could reduce in-theater depot operations and local transportation costs by converting additional commissaries to Dicomss. In addition, the Army, by converting commissaries from the depot supported system to Dicomss, can receive fresher products, achieve higher fill rates, and have greater product variety.

Reduced depot operations and
local transportation costs

Germersheim depot operations cost between \$3 and \$4 million annually. Germersheim officials estimated that 60 percent of the operation was devoted to brand-name resale activities and the remaining 40 percent was used for the troop issue subsistence mission. Depot officials believed that as more commissaries convert to Dicomss, depot operation costs could be reduced to a level required to sustain a brand-name, resale, surge tank inventory and meet the troop issue subsistence mission.

In comparing Dicomss and theater depot support, the method of delivering products to the commissaries must be considered. Under Dicomss, vendors load and send containers directly to the commissaries or to the stateside depots where the containers are consolidated for direct shipment to commissaries. Once the containers are in Europe, commercial trucks deliver the containers directly to the commissaries.

Under the theater depot operation, the Germersheim depot receives, stores, and eventually ships the goods to commissaries by military stake and platform trucks belonging to the 4th Transportation Brigade. Officials have justified supporting some commissaries under this system because small monthly sales, remote geographic locations, and limited warehouse space warrant truck deliveries from Germersheim. However, officials recognize that in-theater transportation

costs are more under a depot operation than under Dicomss.

Using the 4th Transportation Brigade's transportation cost factors, we estimated that in-theater transportation costs for the 17 depot supported commissaries were \$100,000 a month. If all Army stores were converted to Dicomss, the estimated monthly transportation costs would be \$70,000 and annual in-theater transportation savings would be \$362,000.

Fresher products

Commissary managers consistently praised Dicomss for its ability to provide fresher products than the depot system. Products delivered from the depot tended to have a shorter shelf life and many had veterinary-approved shelf life extensions (outdated items approved for human consumption). While part of the problem can be attributed to vendors shipping older products, the fact remains that products accrue additional storage time at the depot before they are delivered to the commissaries.

Although the situation has improved in recent years, depot supported commissaries continue to receive outdated products, such as cereals, cookies, cake mixes, pickles, and salad dressings. During visits to several of these commissaries, we noted outdated merchandise either on commissary shelves or in warehouses. Commissary personnel at one depot supported commissary made a physical inventory in August 1979 and found that 103 line items shipped from Germersheim had veterinary-approved shelf life extensions.

Outdated products created headaches for commissary managers because consumers hesitated buying the products, even though they had been approved for consumption by the veterinarian. To move the outdated products, managers often reduced the prices, which meant less revenue for commissaries. The problem was highlighted at one commissary which displayed signs explaining that the outdated merchandise was the result of the depot support operation.

Higher fill rates and greater product variety

Dicomss fill rate percentages exceed depot fill rates. According to several commissary managers, they can expect to receive over 95 percent of the quantities they requisition by the required delivery date under Dicomss. TSA data shows the requisition fill rate percentages are 90 percent for Dicomss supported commissaries and from 75 to 80 percent for depot supported commissaries.

DICOMSS offers commissary managers and their patrons a larger selection of items than the depot system. The depot is authorized to stock only about 2,000 brand-name, resale line items, whereas DICOMSS commissaries can choose from a selection of approximately 5,000 items. The increased selection directly benefits the commissary patron.

ADDITIONAL CONVERSIONS ARE POSSIBLE
THROUGH THE SATELLITE CONCEPT

Commissaries that do not meet the criteria for immediate conversion to DICOMSS can realize the system's benefits through "satelliting arrangements." Under this approach, small stores can order and receive items through a nearby DICOMSS store. However, for a satelliting arrangement to be effective, the DICOMSS store must have adequate warehouse space and local transportation assets.

We identified Army commissaries where this concept might be feasible. For example, the Bindlach, Amberg, and Hohenfels depot supported stores could order and receive items from the Grafenwoehr DICOMSS store, and the Berchtesgaden, Garmisch, Bad Toelz depot supported stores could order and receive items from the Munich DICOMSS store. Commissary managers at Bindlach, Amberg, and Hohenfels agreed that this concept could work. TSA officials in Europe also agreed that such an arrangement was practical as long as dedicated local transportation assets and warehousing space were available.

We believe local transportation assets and warehouse space exist at Grafenwoehr to support a satelliting arrangement with the Bindlach, Amberg, and Hohenfels commissaries. We were also told that the local community commander could provide additional warehouse space if needed.

The local communities of Bindlach, Amberg, and Hohenfels provide trucks and drivers to their commissaries to obtain regular deliveries from the Grafenwoehr commissary warehouse. We found that these three stores relied heavily on Grafenwoehr to supplement their inventories, with Bindlach receiving about 50 percent of its brand-name, resale items by this means. With a satelliting arrangement, local transportation costs for these commissaries could be reduced by about \$40,000 a year.

We did not pursue the feasibility of a satelliting arrangement with the Munich, Garmisch, Berchtesgaden, and Bad Toelz commissary managers. However, in view of the distance of the three depot supported stores from the Munich DICOMSS supported commissary and from the Germersheim facility, we believe annual local transportation cost savings of about \$62,000 can be realized through such an arrangement, not to mention the other recognized DICOMSS benefits.

AGENCY VIEWS ON FURTHER CONVERSIONS

According to TSA officials, feasibility studies on expanding DICOMSS had not been done; however, they believed at least four stores could possibly be converted to DICOMSS immediately. Because of USAREUR's concerns about the perceived war reserve subsistence shortfall, TSA had not pressed for further DICOMSS expansion. These officials believed that if USAREUR's concerns could be resolved they would like to see all depot supported stores eventually converted to DICOMSS.

Officials at DLA, DPSC, TSA, and the Defense Subsistence Region, Europe, agreed that all the depot supported commissaries could be converted to DICOMSS without adversely affecting their current missions. Agency officials stated that although the DICOMSS workload would increase, it could be performed within existing resources.

According to DPSC and TSA officials, commissaries should be converted gradually in order to not overload the current automated data control systems. TSA officials stated that commissary personnel would require some training in the DICOMSS system and requisitioning procedures, and that a commissary would require several months before it would be fully operational under DICOMSS.

Fourth Transportation Brigade officials stated that converting five or six additional stores to DICOMSS would have little impact on them administratively or operationally. One official said that the container management workload could be increased up to 30 percent without any problems. In addition, further DICOMSS expansion would make trucks available for other local transportation missions.

The most significant workload impact would occur at the Defense Depot, Mechanicsburg, Pennsylvania. Although no studies had been made, depot officials believed they could handle four or five conversions without additional resources. These officials stated that total conversion to DICOMSS would require more personnel and additional warehouse facilities. DPSC officials said further DICOMSS expansion and the resulting reduction in the theater depot support role would free some personnel positions for transfer to the Defense Depot, Mechanicsburg.

TSA officials said that a break-even point for DICOMSS must be considered when examining the feasibility of further conversions. The officials felt that placing smaller volume commissaries on DICOMSS might reduce source loading below an economical level. They also stated that at least 12 depot

supported commissaries would be needed to allow continued surge tank inventory stock rotation. However, they admitted that no effort had been made to quantify the optimum inventory level required for a surge tank because sufficient stocks had always been on hand.

USAREUR objected to further DICOMSS conversions primarily because of the conversions' overall impact on the war reserve level. USAREUR officials indicated that regardless of whether commissaries were supported by the depot or DICOMSS, the need for increased in-theater inventories of peacetime operating stocks would remain. They stated that the current depot, brand-name, resale inventory only equated to about a 1-day war reserve requirement. The larger question that needs to be answered is how USAREUR should best meet its anticipated wartime subsistence requirements. This issue is addressed in the following chapter.

CHAPTER 3

NEED TO REASSESS WAR RESERVE REQUIREMENTS FOR SUBSISTENCE ITEMS BEFORE ACTIONS ARE TAKEN WHICH WOULD HAVE NEGATIVE IMPACT ON THE DICOMSS PROGRAM

After conversion of the Wildflecken commissary to DICOMSS in 1978, USAREUR notified the Department of the Army that it was having difficulties in identifying sufficient in-theater stocks to meet increased war reserve levels for subsistence items and requested that the DICOMSS program not be expanded. USAREUR did not want to further deplete subsistence stock levels in the Germersheim depot--a DICOMSS objective--which might be used to meet emergency wartime requirements. The Department of the Army was sympathetic to USAREUR's problem and directed TSA to not convert additional commissaries to DICOMSS without USAREUR's approval.

We found that the shortfall in theater war reserve levels identified by USAREUR was questionable because the requirements were apparently based on unrealistic troop levels. Also, USAREUR did not consider all of the peacetime operating stocks available to meet the wartime requirements.

Before actions are taken which will adversely affect DICOMSS, we believe that USAREUR should validate its war reserve requirement for subsistence items and reassess the availability of in-theater peacetime operating assets to meet its needs. These opinions are shared by other Department of Defense and Army agencies which are involved and aware of the problem.

IN-THEATER LEVELS OF B-RATION SUBSISTENCE STOCKS WILL NOT SATISFY WAR RESERVE NEEDS

B-ration subsistence stocks are canned, nonperishable items which are used in time of war. For example, B-rations include canned meats, such as dehydrated chicken, beef, and pork. Although they are war reserve items, they are often distributed to military dining facilities if they are approaching their expiration dates. These stocks are supposedly maintained at levels to support wartime troop strengths expected to be in Europe during the initial period of hostilities. The ability to maintain sufficient levels of B-ration items to meet this requirement is difficult because several items are unpopular with soldiers and present major stock rotation problems. Although 250,000 Army troops are in theater, only about 65,000 eat in the military dining facilities. B-ration stockage often reflects this lower demand level. At present

88 B-ration line items are applied toward the war reserve requirements in Europe.

Recognizing that B-ration levels in the Germersheim depot would not meet its increased war reserve requirements for subsistence items, USAREUR looked to other peacetime subsistence stocks in theater which might satisfy its identified shortfall. USAREUR considered both in-theater perishable food items and nonperishable, brand-name, resale items. The Germersheim depot had some levels of these nonperishable items in support of commissaries which had not been converted to DICOMSS.

USAREUR officials were unaware of the actual in-theater perishable inventory, but they recognized that refrigerated transportation and related spoilage problems would lower the perishable level that could be used. The officials contended that no more than 20 percent of the total net requirement should be filled by perishable stocks. Application of this percentage to the remaining requirement still left a significant subsistence shortfall. Army logistics officials then looked at what nonperishable, brand-name, resale stocks the depot had which could be used to satisfy the requirements.

During this same time frame, TSA notified USAREUR that the Wildflecken commissary was being converted to DICOMSS. In view of the difficulties in identifying subsistence items to meet the war reserve requirements, USAREUR viewed the conversion as a further reduction of critical assets at the Germersheim depot. USAREUR recognized that as commissaries were being placed on DICOMSS, the nonperishable, brand-name, depot stock was being reduced.

As a result of USAREUR notifying the Army of its wartime subsistence problem, the Army directed TSA to stop converting commissaries to DICOMSS without USAREUR's approval. During this time period, the 200th Theatre Army Materiel Management Center made a study for USAREUR. In the study, the Center proposed that nonperishable, brand-name, resale stocks at the depot be increased.

USAREUR then recommended to the Department of the Army that the shortfall be met by

- considering the inventory of nonperishable, brand-name, resale items at the depot;
- removing from DICOMSS selected nonperishable, brand-name, resale items and stocking these items at

Germersheim for all USAREUR commissaries; and

--increasing depot stockage of certain brand-name, resale items to a level above the demand base, but within shelf life limits.

At the time of our study, the Department of the Army had not reached a decision on these proposals.

As part of its proposal, USAREUR listed the known perishable and nonperishable items which could be substituted from peacetime operating stocks for B-ration items. USAREUR recommended storing these substitutes at the depot for all commissaries. The goal was to raise the depot stockage level by increasing the peacetime consumption base (i.e., commissary patrons).

TROOP STRENGTHS USED TO DETERMINE
WARTIME SUBSISTENCE REQUIREMENT
LEVELS ARE QUESTIONABLE

USAREUR computed its war reserve requirements using the troop strengths shown in the Army's Unit Identification List. The list identifies the military units and their arrival time in theater based on needs identified to meet a given war scenario. The list is a long-range document and includes units that may be required under a given war scenario, including notional units that are not in the current force structure. In addition, many of the units appear on the list more than once because of their multipurpose roles in a given war scenario. Thus, use of this list inflates troop strengths and results in overstated requirements for war reserve stocks.

The Army Support Activity Commander in Philadelphia agreed that the requirements could be distorted by using the Unit Identification List. He stated that requirements should be based on the troop strengths shown in the Time Phased Force Deployment List. This list identifies only units in the current force structure and their expected theater employment time. For example, the commander noted that by using the Time Phased Force Deployment List for C-rations, subsistence requirements would be about two-thirds the quantity now being reported based on the Unit Identification List.

In commenting on our report, Department of the Army officials said that corrected troop strength data was provided to the Army Support Activity, Philadelphia. In addition, procedures for computing subsistence war reserve requirements were reemphasized. If followed, the procedures should result in more accurate troop strengths and result in better computations of subsistence war reserve requirements.

In addition to working with requirements figures which were apparently inflated, USAREUR did not consider all in-theater peacetime operating stocks which might be used to satisfy war emergency needs.

USAREUR DID NOT CONSIDER AVAILABLE
IN-THEATER SUBSISTENCE ASSETS

USAREUR, in determining subsistence assets available in theater to meet the war reserve requirements, did not consider the inventory of nonperishable, brand-name, resale items in the depot even though it planned to rely on this stock to supplement wartime troop issue subsistence needs. In addition, it did not determine the

- potential for increasing the depot's B-ration rotation base;
- optimum availability of in-theater perishables;
- nonperishable inventories in the 62 Army commissaries, their annexes and warehouses, even though it planned to use these stocks in wartime;
- availability of B-ration subsistence stored at 33 troop issue points, each of which maintained a 45-day peacetime stockage level; and
- subsistence stocks maintained by the exchange system's Foodlands and cafeterias and USAREUR's military clubs.

Because USAREUR did not specifically define wartime reserve requirements or determine the availability of assets to meet these requirements, we could not determine what the actual requirements were or whether a shortfall in available assets existed.

We recognize that all potential sources of assets may not be readily available at the outbreak of hostilities due to some commissaries and troop issue points being overrun by enemy forces or access otherwise being denied to Allied forces. We also recognize that a portion of these assets may be consumed by the dependent population before evacuation. Nevertheless, USAREUR should consider subsistence sources in theater when determining the magnitude of the subsistence shortfall. A discussion of these sources follows.

Depot B-ration inventories
could be increased

USAREUR understated the B-ration rotation base at the depot because it assumed that the computed depot stock levels equaled the level that could be effectively rotated. However, we found that about 65 percent of the B-ration line items were being maintained and effectively rotated at a stock level that exceeded the computed level based on demand usage. We reviewed 78 B-ration line items in stock at the depot as of June 30, 1979. The onhand quantities for 51 of the items exceeded the stock level based on demand usage. In some cases, stockage was from three to five times the demand level. Despite the excess level, the stock was being effectively rotated. Depot officials estimated that they were rotating the entire B-ration stock every 8 to 10 months and that 97 percent of the stock was being rotated with at least 6 months' shelf-life remaining. The Acting Director of the Germersheim facility believed that the B-ration inventory level could be increased an additional 5,000 to 10,000 tons before rotation would be a problem. He said that lack of warehouse space was the deciding factor, not rotation.

USAREUR officials were unaware that the B-ration rotation base could be increased. They stated that the original level was established to avoid rotation problems, but that perhaps the level could be increased.

In-theater perishable stocks
available for use may be
understated

USAREUR determined that about 20 percent of the remaining war reserve requirement could be met by in-theater perishables. However, USAREUR logistics officials stated that the quantity of in-theater perishables was unknown when the study was made and that the 20 percent figure might be understated. They indicated that the percentage was intentionally kept low because they preferred relying on nonperishable items.

Commissary stocks were not
considered by USAREUR

USAREUR did not determine how much of the commissary stocks could be used to meet wartime requirements, even though war contingency plans provided for using these stocks. The plans provided that commissary stocks would be transferred to the nearest Troop Issue Subsistence Activity after civilian evacuation was completed. According to the Acting Director of the Germersheim facility, approximately 50 percent of the nonperishable brand-name resale commissary stocks are edible

food items that could be used to meet wartime needs. Air Force logistics officials in Europe also use the 50 percent figure when computing the portion of Air Force commissary stocks available to supplement their war reserve requirement. Army commissaries in Europe had approximately \$19,500,000 worth of nonperishable, brand-name, resale items onhand of which about \$10 million was edible food items.

Troop issue point B-rations were not considered in USAREUR's analysis

USAREUR did not consider the amount of B-rations stored at its 33 troop issue points which could be used to meet war-time subsistence needs. Army officials estimated the 45-day peacetime B-ration inventory maintained at troop issue points could provide about one-tenth of the total war reserve requirement. Because these issue points are close to the commissaries, in time of war USAREUR will move the commissary stocks to the troop issue points and use both inventories as a valuable source of supply in meeting the war reserve requirements. However, USAREUR views both inventories as "targets of opportunity" to be taken advantage of, but not to be relied on for requirement computation purposes.

Exchange system and military club stocks

USAREUR officials did not rely on military club stocks or the exchange system's nonperishable stocks to meet part of its war reserve requirement. However, contingency plans provide for collecting and distributing subsistence items from these sources and, if necessary, those from evacuated U.S. housing areas. The exchange system's subsistence stocks, like the commissaries, are generally located near the troop issue points. USAREUR viewed these stocks as insignificant from a quantity standpoint; however, it did plan to use these inventories as targets of opportunity.

AGENCY REACTION TO USAREUR PROPOSAL

Department of Army logistics officials and officials at DLA, DPSC, Army Support Activity in Philadelphia, and TSA reviewed the peacetime operating stock study which USAREUR had prepared. By August 1979, USAREUR had received comments from everyone except the Department of the Army. Each agency generally supported the theater stockage concept, but most had reservations about its implementation.

DLA expressed concern about the negative impact on the direct support system in that increasing the depot stockage level would require additional management control to monitor

stock rotation. Additionally, the removal of subsistence items from DICOMSS would (1) increase shipments to the depot for subsequent delivery to the commissaries, (2) reduce direct delivery shipments to the commissaries, (3) increase handling and local transportation costs, and (4) increase depot warehouse space requirements. DLA also expressed concern about the strategic implications of "stockpiling" war reserve stocks in one location. It suggested that a more decentralized storage policy be explored and pointed out that in the event of war all nonperishable stocks onhand in both commissaries and their warehouses would automatically be used to sustain the military forces.

DLA noted also that two other studies were in progress and that the studies could result in further DICOMSS expansion. In addition, a DPSC task force was making a study directed at increased cold storage capacity in Europe. DPSC commented that if the study resulted in more cold storage space, the depth of perishable items could be increased, thereby reducing the need for nonperishable items. It recommended that any decision to remove items from DICOMSS be deferred until the three studies were completed.

The Army Support Activity generally supported USAREUR's proposal. However, it believed that applying only 20 percent of perishable items to help meet requirements might be an understatement and that more of these stocks could be used, particularly by troops in rear areas.

TSA recognized the need to support USAREUR's war reserve requirements by using nonperishable stocks, but was concerned about selecting items which would be removed from the direct support system. TSA suggested that a task force comprised of representatives from its agency, USAREUR, and DPSC approve each line item selected for war reserve storage. TSA also believed that a determination should be made about:

- storage requirements and costs,
- stockage and rotation plans,
- additional in-country transportation costs,
- requisitioning procedures, and
- reporting requirements.

Representatives from each of the involved agencies met in October 1979 to discuss USAREUR's proposal. USAREUR had hoped that the meeting would result in action being taken on its proposal. However, according to attendees, the

meeting dealt with a restatement and a better understanding of USAREUR's subsistence problem and potential solutions.

Questions were raised about the troop strength figures used to compute the subsistence requirements and whether USAREUR had considered all available in-theater assets. Department of the Army representatives suggested that before any action was taken to resolve the subsistence issue, additional requirements and asset data would be needed for the Army to reach a decision on USAREUR's proposal.

We agree that actions which can adversely affect the DICOMSS program should be deferred until war reserve requirements are accurately assessed and all available in-theater assets are analyzed.

Initiatives in this direction have begun. For example, Army and Defense subsistence officials held a meeting in October 1979. These officials discussed many of the issues, such as:

- validating the subsistence requirements;
- identifying and considering available in-theater assets which could be used to meet the requirements; and
- insuring that known assets, such as B-ration stocks, are increased to the maximum rotatable levels.

CHAPTER 4

CONCLUSIONS, RECOMMENDATIONS, AND AGENCY COMMENTS

CONCLUSIONS

DICOMSS has streamlined the nonperishable, brand-name, resale subsistence flow in Europe and has resulted in cost and other benefits not available under the previous in-theater depot support system. DICOMSS expansion during the years 1971 to 1978 demonstrated that Army and Air Force commissary officials were committed to the system. However, DICOMSS has not been expanded since 1978 because USAREUR believes that continued conversion will aggravate a perceived subsistence shortfall by reducing brand-name, resale subsistence levels below those which are relied on to meet USAREUR's war reserve requirement.

Despite the benefits of DICOMSS, TSA has not taken full advantage of DICOMSS as evidenced by the fact that 17 Army commissaries continue to be supported by an in-theater depot. Based on sales volume, warehouse space, van deliveries, and other conversion criteria, we believe that four of these commissaries should be immediately converted to DICOMSS. The remaining activities could be converted to DICOMSS either directly or through a satelliting arrangement. We believe immediate conversion of the four depot supported stores to DICOMSS will not adversely affect the peacetime surge tank, war reserve requirements, or the Army commissaries', defense subsistence agencies', and the 4th Transportation Brigade's missions.

USAREUR's proposal to remove certain nonperishable, brand-name, resale items from DICOMSS and to stock them at Germersheim is a modified return to the former depot support system. Implementing USAREUR's proposal could result in

- a more intense and extensive management effort from all subsistence agencies,
- increased local transportation and storage costs,
- additional product handling and shelf life problems, and
- decreased war reserve subsistence survivability caused by assets being stored in one location.

RECOMMENDATIONS

To maximize Dicomss benefits, we recommend that the Secretary of the Army direct TSA to

- convert the Kitzingen, Erlangen, Illesheim, and Schwaebisch Gmuend commissaries to Dicomss and
- assess the potential for converting the remaining Army commissaries to Dicomss either directly or through a satelliting arrangement.

In order to properly assess the war reserve issue, we recommend that the Secretary of the Army direct a coordinated approach by USAREUR and DLA and its subordinate activities to:

- Establish the B-ration rotation base stock level at the depot based on the ability to rotate the stock within a reasonable time frame.
- Properly consider the availability of in-theater subsistence assets at the troop issue points, commissaries, and exchange system facilities as a source for meeting the war reserve requirement.

Once these actions are taken, the Army will be able to more accurately determine whether USAREUR has a war reserve subsistence shortfall. Once the shortfall is accurately identified, the Army can then deal with the problem in a manner which is cost effective in peacetime while at the same time meeting USAREUR's wartime subsistence needs.

AGENCY COMMENTS

Army officials reviewed this report and said that they agreed with the recommendations. As a result, a number of actions have been taken or are in the process of implementation. Their comments (see app. IV) were incorporated into the report where appropriate.

ARMY AND AIR FORCE COMMISSARIES IN EUROPE

U.S. ARMY

DICOMSS

Ansbach	Munich	Ludwigsburg
Aschaffenburg	Neu Ulm	Bad Kissingen
Augsburg	Patch Barracks	a/Dexheim
Bamberg	Pirmasens	a/Helmstadt
Baumholder	Robinson Barracks	a/Sogel
Bad Kreuznach	Schweinfurt	a/Flensburg
Bremerhaven	Wiesbaden	a/Osterholz-Sch
Darmstadt	Wildflecken	a/Babenhausen
Frankfurt	Worms	a/Camp King
Fuerth	Wuerzburg	a/Buedingen
Fulda	Zweibruecken	a/Muenster
Gelnhausen	Chievres (Belgium)	a/Bueren
Giessen	Schinnen (Holland)	a/Regensburg
Goeppingen	Vicenza (Italy)	a/Vilseck
Grafenwoehr	Livorno (Italy)	a/Fliegerhorst
Hanau	Berlin	a/Germersheim
Heidelberg	Teheran (Iran)	a/Mainz-Kastel
Heilbronn	Dhahran (Saudi Arabia)	a/McCully Barracks
Karlsruhe	Riyadh (Saudi Arabia)	Neubruecken
Kelly Barracks	Jidda (Saudi Arabia)	b/Lahr Annex
Mainz	Harrogate (United Kingdom)	b/Baden Soellingen
Mannheim	Bad Nauheim	Johnson Barracks

NON-DICOMSS

Bad Aibling	Schwaebisch Gmeund	Kitzingen
Schwaebisch Hall	Amberg	Wertheim
Crailsheim	Bindlach	a/Herzo Base
Illesheim	Hohenfels	c/Paris
Idar Oberstein	Bad Toelz	c/Bonn
Erlangen	Berchtesgaden	b/Lahr Exchange
Bad Hersfeld	Garmisch	

a/Annexes.

b/Canadian facility.

c/Embassies.

d/Includes one annex.

U.S. AIR FORCE

DICOMSS

Bitburg
Hahn
Hessisch-Oldendorf
Pruem
Ramstein
Rhein Main
Sembach
Spangdahlem
Trier
Vogelweh
Eselsfurth
Alconbury (United Kingdom)
Bentwaters (United Kingdom)
Chicksands (United Kingdom)
Greenham Common (United Kingdom)
Lakenheath (United Kingdom)

Sculthorpe (United Kingdom)
Upper Heyford (United Kingdom)
Wethersfield (United Kingdom)
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San Vito (Italy)
d/Ankara (Turkey)
Incirlik (Turkey)
Izmir (Turkey)
d/Torrejon (Spain)
Zaragoza (Spain)
Hellenikon (Greece)
Iraklion (Greece)
Lajes Field (Azores)
Camp New Amsterdam
(The Netherlands)

NON-DICOMSS

Oslo (Norway)

AGENCIES CONTACTED AND LOCATIONS VISITED

Department of Defense:

Defense Logistics Agency
 Defense Personnel Support Center
 Defense Subsistence Region, Europe
 Defense Depot Mechanicsburg, Pennsylvania
 Defense Subsistence Storage Facility - Germersheim

Department of the Army:

Deputy Chief of Staff, Logistics - Headquarters
 Deputy Chief of Staff, Logistics - U.S. Army,
 Europe
 200th Theater Army Materiel Management Center
 Troop Support Agency - Headquarters
 Troop Support Agency - European Field Office
 Army Support Activity - Philadelphia
 4th Transportation Brigade - Oberursal, Germany

Department of the Air Force:

Deputy Chief of Staff, Logistics - U.S. Air Forces
 in Europe
 Air Force Commissary Service - Headquarters
 Air Force Commissary Service - European Regional Office

Army Commissaries, Europe:

DICOMSS: Frankfurt
 Darmstadt
 Hanau
 Grafenwoehr
 Fulda
 Fuerth

NON-DICOMSS: Crailsheim
 Bad Hersfeld
 Kitzingen
 Erlangen
 Amberg
 Hohenfels
 Bindlach
 Wertheim

Air Force Commissaries, Europe:

DICOMSS: Vogelweh
 Ramstein

ARMY COMMISSARIESHIGH TO LOW RANKING - AVERAGE MONTHLY SALESBASED ON 1ST AND 2D QUARTERS, FISCAL YEAR 1979

<u>Commissary</u>	<u>Average monthly sales volume</u>	<u>Commissary</u>	<u>Average monthly sales volume</u>
Wiesbaden	\$1,036,705	Zweibruecken	\$387,659
Frankfurt	1,000,910	Schweinfurt	380,934
Heidelberg	819,412	Bremerhaven	379,957
Mannheim	736,962	Bamberg	376,136
Fuerth	721,618	Ansbach	368,928
Berlin	687,191	Munich	367,553
Hanau	641,608	Patch	
Baumholder	580,535	Barracks	355,763
Augsburg	535,441	Vicenza	339,655
Robinson		Pirmasens	311,830
Barracks	502,213	Mainz	292,186
Giessen	498,926	Bad	
Chievres	427,393	Kreuznach	277,222
Wurzburg	416,212	Aschaffenburg	276,366
Karlsruhe	405,742	Riyadh	271,330
Teheran	390,560	Grafenwoehr	254,788
Darmstadt	389,789	Heilbronn	244,225
Kelley		a/Kitzingen	242,843
Barracks	210,783	a/Wertheim	87,581
Fulda	210,494	Jidda	86,375
Neu Ulm	208,109	a/Bad Hersfeld	85,000
Gelnhausen	206,797	Harrogate	83,511
Bad Nauheim	201,599	a/Bindlach	80,279
Schinner	196,172	Dhahran	77,969
Worms	180,007	a/Amberg	76,608
Ludwigsburg	169,740	a/Bad Toelz	73,880
Livorno	156,344	a/Schwaebisch	
a/Illesheim	144,983	Hall	72,163
a/Erlangen	134,544	a/Hohenfels	69,957
Wildflecken	130,047	a/Garmisch	68,146
a/Schwaebisch		a/Berchtesgaden	56,265
Gmuend	125,679	a/Idar Oberstein	55,003
Goeppingen	104,985	a/Bad Aibling	48,423
Bad Kissingen	102,419	a/Herzo Base	42,065
a/Crailsheim	93,899		

a/Depot supported stores.



DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
WASHINGTON, D.C. 20310

REPLY TO
ATTENTION OF

3 APR 1980

Mr. R. W. Gutmann
Chief, Logistics and Communications
Division
US General Accounting Office
Washington, D.C. 20548

Dear Mr. Gutmann:

This is in reply to your letter to Secretary Brown dated 19 Feb 80, which transmitted copies of the draft of a proposed General Accounting Office (GAO) report on expanding the Direct Commissary Support System (DICOMSS) to include more commissaries in Europe (Code 943464) (OSD Case # 5387).

The Department of the Army agrees with the recommendations contained in the report with the exception of the one pertaining to use of the US Army Europe (USAREUR) Time Phased Force Development List in [See GAO note] computing war reserve requirements. Detailed comments concerning this recommendation are inclosed.

The following actions have been taken or are in process of implementation:

- a. The Commander, Troop Support Agency, Fort Lee, VA, in a 4 Dec 79 message to Defense Personnel Support Center (DPSC), requested that the commissaries at Illesheim, Erlangen, Kitzingen and Schwaebisch Gmuend be added to DICOMSS. The request is currently under review by the Defense Logistics Agency.
- b. The Deputy Chief of Staff for Logistics, Department of the Army, following a briefing on subsistence war reserve requirements in Europe in December 79, directed that in-theater assets located at troop issue points, commissaries and Army-Air Force Exchange storage facilities would be considered as a source for meeting war reserve requirements.
- c. The US Army Europe, AEAGD-SV, in a letter to DPSC dated 28 Dec 79, subject: Rotation Planning for Peculiar B Rations-Europe, proposed an increase in the protectable levels of B ration components. A suggested revision of levels was forwarded to US Army Europe for their comment/concurrence on 22 Feb 80.

GAO note: GAO has deleted this recommendation because actions taken by the Army make it no longer relevant.

d. Computation of subsistence war reserve requirements, including use of the proper force level, has been under review in the Department of the Army for several months. Corrected strength data was provided to the US Army Support Activity, Philadelphia, PA, in early March 1980.

We appreciate the GAO effort in this area. If you desire additional information on the actions completed or underway, our point of contact is Mr. W. W. Henderson whose telephone extension is 695-0624.

Sincerely,



Roy A. Werner
Acting Assistant Secretary of the Army
(Installations, Logistics and
Financial Management)

Inclosure
As stated

COMMENTS
SUBSISTENCE WAR RESERVE COMPUTATIONS

1. The force data reviewed by the GAO representatives during their audit in Europe has been determined to be out of date.
2. Computation of Subsistence War Reserves requires three factors:
 - a. Troop strengths.
 - b. Consumption factors.
 - c. The period of time for which a force is to be supported.
3. The personnel strengths are taken from the Logistics Structure and Composition System (LOGSACS) tape provided by Force Development, Office of the Deputy Chief of Staff for Operations and Plans, Department of the Army. This file contains the personnel requirements at ALO-1 for all commands and provides a snapshot of the force on the date the LOGSACS is run. Traditionally, the projection reflecting the force on 30 September, each year, is the effective date and basis for computing the annual update of war reserve requirements.
 - a. The Unit Identification List, published by DESCOM, is derived from the LOGSACS.
 - b. USAREUR's Time Phased Force Deployment List (TPFDL) reflects current authorizations only.
 - c. In theory the LOGSACS and USAREUR's TPFDL should be the same for a given year.
4. Subsistence war reserve computations must be based on planning data showing full requirements to enable the budget process to support required changes in levels. War reserve requirements are based on data reflecting a point in time that is two years in advance of the current D-Date.
5. The recomputation of USAREUR's subsistence war reserve requirements for FYs 80, 81, and 82, currently underway, will accurately reflect, as of the last day of each FY, the force structure expected to be on the ground in Europe on D-Day and those to be deployed during the early phase of the scenario of each fiscal year.

(943464)



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